

**CONFIDENTIAL**

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 DE RUEHC #0295 1400606  
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 P 200420Z MAY 83  
 FM SECSTATE WASHDC  
 TO AMEMBASSY TEL AVIV PRIORITY 7632  
 BT  
 C O N F I D E N T I A L

LIMITED OFFICIAL USE STATE 140295

E.O. 12356: N/A  
 TAGS: ETRD, IS  
 SUBJECT: ISRAELI POTASH EXPORTS

State Dept. review completed

REF: G2 TEL AVIV 13535

1. SENATOR PETE DOMENICI HAS AGAIN RAISED WITH AMBASSADOR BROCK CONCERNS REGARDING POSSIBLE UNFAIR TRADE PRACTICES RELATED TO ISRAELI POTASH EXPORTS TO U.S. SENATOR DOMENICI REQUESTS ASSISTANCE IN ASCERTAINING VALIDITY OF TWO CHARGES.

A). THAT DEAD SEA WORKS (DSW), A SUBDIARY OF ISRAEL CHEMICALS, HAS RECENTLY SIGNED A MULTIYEAR CONTRACT WITH MISSISSIPPI CHEMICAL (A MAJOR U.S. FERTILIZER SUPPLIER) WHICH PEGS CONTRACT PRICES OF POTASH AT AN AGREED PERCENTAGE UNDER PREVAILING PRICE OF DOMESTIC POTASH. THOUGH NOT AN UNFAIR TRADE PRACTICE PER SE, SUCH PRICE PEGGING COULD LEAD TO AN UNFAIR PRACTICE IF IT RESULTED IN DUMPING OR SUBSIDIZATION BY ISRAEL. END FYI.

B) THAT ISRAEL IS ABLE TO MANIPULATE SHIPPING RATES IN ORDER TO GAIN PRICE ADVANTAGES OVER DOMESTIC POTASH COMPANIES. FYI WE UNDERSTAND FROM INDUSTRY SOURCES

THAT LOW FREIGHT RATES MAY IN PART BE DUE TO BACK HAULING OF GRAIN ON RETURN TO ISRAEL. END FYI.

2. THE SENATOR NOTES THAT ISRAEL HAS GAINED AN INCREASINGLY IMPORTANT SHARE OF U.S. POTASH MARKET OVER THE LAST TWO YEARS - DURING WHICH TIME EMPLOYMENT IN POTASH MINES IN NEW MEXICO HAS DROPPED DRASTICALLY.

IN RESPONSE TO SENATOR DOMENICI'S CONCERNS POST IS REQUESTED TO ASCERTAIN IN ADDITION TO OTHER PERINENT DATA:

- O WHAT ARE ISRAELI SHIPPING PRACTICES.
- O WHAT TRANSPORTATION CHARGES ARE ADDED TO DSW POTASH FOB TEL AVIV? IS BACKHAULING A FACTOR?
- O WHAT IS ISRAELI DOMESTIC PRICE OF POTASH VIS A VIS EXPORT PRICE? SHULTZ

END OF MESSAGE

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